

Minutes of the Blue Ribbon Panel for Transportation Funding
Meeting #3
June 5, 2008
8:30 am-11:00 am
Department of Administration – Conference Room A

Members Present: Jerome Williams, Dept. of Administration, Co-Chair
Michael Lewis, RIDOT, Co-Chair
Peter Osborn, FHWA
Keith Stokes, Newport Chamber of Commerce
Lloyd Albert, AAA
Gary Sasse, Dept. of Revenue
Robert Cusack, Preferred Asset Management, LLC
John Simmons, RIPEC
William Sequino, Town Manager, East Greenwich
Robert Weygand, URI

Member Absent: John Gregory, Northern RI Chamber of Commerce

Staff: Maureen Gurghigian, Robert Shawver, Kazem Farhoumand, Diane Badorek

In Attendance: Marc Leonetti, John Megrdechian, Phillip Kydd, Heidi Cote, Christopher Long, Carmela Corte, Paul Dion, William Campos, Katherine Trapani, Jim Hatter, Michael Bartolotta, Bill Fazioli

May 1, 2008 Meeting Minutes

The May 1, 2008 minutes were approved without revision.

New Meeting Schedule

In order to complete its work on schedule, the BRP decided to begin meeting twice per month, on the first and third Thursday of each month. The next meeting was set for June 19.

Transportation Needs Assessment Report

RIDOT has prepared a draft Funding Needs Assessment that will be emailed to BRP members. Comments on the report should be sent to Robert Shawver.

TBA Needs Assessment

The Turnpike and Bridge Authority has submitted a report to RIDOT identifying its financial needs, along with proposed options for closing the anticipated funding gap. This report is currently under review, and a presentation will be made by the TBA at a future meeting.

Publicity Campaign

Director Williams and Director Lewis met with the Governor concerning the urgency of getting the word out about the critical funding needs of transportation in RI. The Governor is keyed into this issue and is in agreement that this should be done as quickly as possible. A draft brochure prepared by RIDOT to address this topic was distributed to the Panel members for comment.

Transportation Innovative Finance: Jim Hatter, FHWA Resource Team

Overview:

The cost of congestion is estimated to be \$300 billion per year (hours spent in traffic and gallons of fuel wasted); however, only \$80-90 billion per year is spent on transportation, so it is costing more than we are putting into the system. Federal gas taxes which have funded the transportation program have lost 50% of their buying power since they were implemented. This is due to the rise in construction costs and the fact that they have not been increased since 1993. States will have to turn to other funding sources to make up the difference. Taxpayers will ultimately bear the burden of financing the transportation system, and it is only a question of how they will end up paying for it.

States are using bonding, licensing fees, toll revenue, and public-private partnerships to bridge the funding gap. Several states, including RI, have used GARVEE issues to fund needed improvements. The range of percent of program costs being funded through GARVEE bonds is 15-30 percent, with 15 percent being typical. RI has issued GARVEEs to fund about 25 percent of the program, so it is at the high end of the spectrum. The return on GARVEEs has been determined to be around 17 percent, based on the observed increases in property values one quarter mile on either side of a highway after improvements are made.

Transportation spending provides other direct community benefits. For example, every \$1 billion spent creates approximately 47,000 jobs. The benefits of transportation projects have to be identified so that the value can be captured using alternate financing mechanisms. Presently much of this project value is not being calculated and recouped as part of the financing method. The public needs to be educated about the economic benefits of transportation projects (safety, time savings, decrease in costs of goods and services).

Other types of credit tools available are Private Activity Bonds (PAB), TIFIA loans (RI is using this for the Warwick Intermodal Station), State Infrastructure Banks (SIB), and Section 129 loans. Most states use these mechanisms for new projects because of the high political visibility of opening a new facility. Of 20 states surveyed, none were financing maintenance of assets because it is more politically expedient to fund new projects rather than these types of projects.

The entire presentation will be made available on the Blue Ribbon Panel website.

Evaluating Financial Alternatives and Valuing Assets: Michael Bartolotta, First Southwest Company

Overview:

When considering public-private partnerships, it is important to select assets that are well-defined, easy to isolate and have the capability to be revenue-producing. The minimum value of a project for it to be considered should be about \$50 million; the best range that is attractive to investors is \$200-500 million.

The types of projects are either greenfield (new) or brownfield (old). Agreements lasting at least 40 years are best for greenfield types of projects, while agreements for brownfield projects only need to cover the useful life of the asset (for example, 35-50 years for a roadway). Fixing a controlled rate of return is a vital component of any agreement.

After reviewing how to value assets, several types of alternatives for financing projects were outlined. Insufficient time was available for completion of the presentation. Mr. Bartolotta offered to be available at a future meeting, possibly by telephone, to complete the discussion. The complete presentation will be made available on the Blue Ribbon Panel website.

Discussion

Following the presentations, staff from FHWA and First Southwest agreed to develop a matrix of financing options that would be viable for RI, showing the pros and cons of each option. It was also requested that the statutory requirements associated with each option also be included.

Robert Shawver will be attending the State Summit on Innovative Transportation Funding and Financing in Washington on June 24 - 25 sponsored by the National Governors Association. An opportunity was available for a member of the BRP to attend as well, and Robert Cusack volunteered for this assignment.